

# **TALKING POINTS:**

## **Bush Presides Over a \$8.5 Trillion Fiscal Collapse**

---

Democrats know that a return to fiscal responsibility is the first step towards ensuring that all Americans can achieve financial security. But the Republicans have rejected fiscal sanity and presided over an \$8.5 trillion fiscal collapse. Today, CBO has projected a record \$477 billion deficit – the largest deficit ever – confirming that President Bush is the most fiscally irresponsible President in our nation's history.

**\$8.5 trillion fiscal collapse in just two years.** The Bush Administration inherited a projected \$5.6 trillion 10-year surplus. That \$5.6 trillion surplus is now a \$2.9 trillion deficit – a fiscal swing for the worse of \$8.5 trillion in two years. The deficit has worsened by \$1 trillion in only five months.

**Large deficits reduce long-term economic growth.** Federal Reserve Chairman Alan Greenspan stated that “There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended.” [The Washington Times, 2/12/03]

**Pledge to hold down domestic spending will not lower the deficit.** The Bush Administration is claiming that it will hold domestic discretionary spending to less than 1 percent in 2005 in an effort to reduce the deficit. However, domestic discretionary spending represents only 17 percent of all federal spending in 2004. Enacting all of the savings President Bush wants in the domestic discretionary area would barely make a dent in the deficit. At the same time, extending the Republican tax cuts would worsen the deficit by trillions of dollars.

**Bush Administration raids Social Security and Medicare.** When the Bush Administration came into office, the government has the highest surplus ever. Now the government will have a record \$477 billion deficit in 2004 and spend every dollar of the Social Security and Medicare surpluses over the next 10 years.

**The Republican agenda forces deficits up and extends them as far as the eye can see.** When the tax cuts are made permanent, as the President is requesting, and the Alternative Minimum Tax is reformed, the deficit soars to almost \$5 trillion over the next 10 years.

**Independent analysts have called the Bush Administration's commitment to cut the deficit in half “an accounting fiction.”** In order to meet that goal, the Bush Administration has omitted certain spending initiatives from its budget, including the cost of any continuing operations in Iraq and Afghanistan after the end of the fiscal year, the full costs of planned defense investments, and the cost of ending the Alternative Minimum Tax. [CBPP, 1/21/04]

**Increasing deficits will increase interest rates and bankruptcies.** At a time when the President should be taking strong steps to stimulate the economy, he is failing to take meaningful steps to create jobs and lower the deficit. The increasing deficit is causing economists to fear “that foreigners will tire of financing America's appetites. Foreign investors will dump U.S. assets, especially stocks and bonds, sending financial markets plummeting. Interest rates will shoot up...Heavily indebted Americans will not be able to keep up with rising interest payments. Inflation, bankruptcies and economic malaise will follow.” [Washington Post, 1/26/04]

